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LETTER DATED 13 OCTOBER 1998 FROM THE SECRETARY-GENERAL ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit to you herewith a letter dated 10 October 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(Signed) Kofi A. ANNAN

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Annex

Letter dated 10 October 1998 from the High Representative for Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit herewith my report on the implementation of the Peace Agreement on Bosnia and Herzegovina, which covers the activities of my Office during the months of July to the end of September 1998.

I further have the honour to inform you that it is my intention to present the report to the Security Council on 26 October 1998.

(Signed) Carlos WESTENDORN
High Representative

Appendix

REPORT OF THE HIGH REPRESENTATIVE FOR IMPLEMENTATION OF THE PEACE AGREEMENT TO THE SECRETARY-GENERAL OF THE UNITED NATIONS

JULY-SEPTEMBER 1998

1. Pursuant to Security Council Resolution 1031 of 15 December 1995, which requested the Secretary General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8-9 December 1995, I herewith present the eleventh report to the Council.

2. The Report covers the activities of the Office of the High Representative and developments in the areas listed below during the period from the beginning of July 1998 to the end of September 1998.

SUMMARY

3. Elections dominate: The period between July and September has been dominated by the general elections in BiH on 12/13 September, and their aftermath. The results of the elections are discussed in more detail below. But in general they represented, with one notable exception, further evidence of steady, incremental progress towards a more moderate and pluralistic political environment in BiH. The elections took place peacefully and once again drew a high turnout of around 70%, although this was somewhat lower than in previous elections. At the State level, for the first time since Dayton there is the possibility of a more constructive Presidency, with the replacement of the obstructionist Serb incumbent with a more moderate figure. The Council of Ministers and the national ministries are expected to be controlled by representatives of pro-Dayton parties. The old nationalist, mono-ethnic parties have lost ground across the board; and opposition parties have advanced and gained a number of key footholds in the BiH House of Representatives and have gained ground in the Entity parliaments. In the Federation House of Representatives, for example, the SDA has lost its overall majority; and in the RS National Assembly the SDS failed to re-gain the overall majority it lost in the election in 1997. The SLOGA coalition has signed an agreement pledging to remain in a post-election alliance and will hold the majority in the RS National Assembly if SLOGA continues to co-operate with its Federation-based partners. Negotiations on the formation of a new RS Government, which may be lengthy, began on 2 October. For the first time, the HDZ and the new NHI won seats in the RSNA. And RS based parties won representation in some Cantonal assemblies and the Federation Parliament.

4. Despite the encouraging results in the Assembly elections and for the Serb member of the BiH, State-level Presidency, the election for the RS Presidency brought the replacement of Mrs Plavsic with the leader of the Bosnian branch of the Radical Party, Nikola Poplasen. Mr Poplasen has a record as a hard-liner. As President of the RS, he nominates the Prime Minister of the RS Government, who in turn nominates the other ministers. These appointments, however, must be approved by majority vote in the RS National Assembly, where the SLOGA - Federation partnership dominates.

5. I have made clear, as have other representatives of the international community, what we shall expect of the newly elected leaders. We shall judge their performance not only by words but above all by actions, which we shall monitor closely. All leaders will be expected to act in accordance with constitutional principles and the Peace Agreement, and to work for a strengthened and united Bosnia and Herzegovina. Action that undermines, or threatens to undermine, the considerable progress made in the last year will not be tolerated. Those who work with the international community, and who comply with Dayton, will be rewarded. The international community will not hesitate to withdraw support from those who obstruct implementation. And I shall not hesitate to use my Bonn powers to take action against leaders who violate Dayton.

6. Recent progress: In spite of the inevitable focus on the elections, further progress has been achieved during the reporting period, building on the substantial progress made in the first half of 1998. This includes:

- the introduction and acceptance of the Konvertible Marka throughout the country;
the passage of a number of key laws, including the Law on Customs, and my imposition of the Framework Law on Privatisation, following the failure of the BiH House of Peoples to pass it;
further media restructuring designed to remove public broadcasting from political control, including the establishment of the Independent Media Commission (IMC), which started work on 1 August; continued restructuring of RTV BiH; and firm action to tackle biased coverage by HRT during the election campaign;
some further minority returns which, although limited in number, have been in key areas such as Prijedor, Gradiska, and Kotor Varos;
the signature by representatives of the Council of Ministers and SFOR of an MOU increasing the scope of civilian operations within Sarajevo airport.

7. Article 109 report: In addition, as requested in Article 109 of the declaration of the Luxembourg Ministerial meeting of the PIC Steering Board in June, I have prepared a comprehensive report on the state of peace implementation. This report, which was delivered in mid-September to Steering Board Foreign Ministers, as well as to the Secretary General of the United Nations, comprised:

- a paper setting out a strategy for the medium to long term, designed to forge a sustainable peace in BiH;
- a comprehensive report on the state of peace implementation, sector by sector, outlining progress to date, key obstacles, and the way ahead;and
- a detailed series of benchmarks for measuring progress in each area.

8. The strategy is based on five key pillars:
- democracy;
- rule of law;
- institutions;
- values and rights;
- economic reconstruction.

9. I make clear in the report that work in these areas must proceed in parallel if a self-sustaining peace is to be created. Failure to achieve progress in any one area jeopardises the whole enterprise. I also make clear that success will depend on unity of effort of the international agencies on the ground in BiH, and careful co-ordination between them. It also continues to depend on the presence of a substantial international military presence, both to guarantee a stable and peaceful overall political environment, and to support civilian implementation efforts as much as possible. I am working closely with SFOR to find ways to maximise that support and target it better.

10. Priorities for the coming months: In the immediate period between now and the end of the year, my priorities will be to:

- accelerate and reinforce the central institutions;
- press forward with minority returns and the resolution of questions of property law;
- continue police restructuring and proceed with the establishment of a State Border Police;
- continue to press forward with media reform so that broadcasting networks are rationalised and outside control terminated.

11. I shall also bring forward proposals on judicial reform in BiH, including enhanced support for the police, as well as working on new electoral arrangements as indicated above.

12. Kosovo: As I indicated in my last report, the situation in Kosovo, which has deteriorated considerably in recent months, may have an impact on peace implementation in BiH. There are, for example, already some 10,000 refugees from Kosovo in BiH, stretching already thin resources. We will need to keep the potential impact of Kosovo on BiH under close review in the coming months.

COORDINATION OF CIVILIAN IMPLEMENTATION

13. Peace Implementation Council: The Steering Board of the Peace Implementation Council (PIC) has continued to meet on a regular basis at the level of Political Directors of respective Foreign Ministries. I have also continued to convene regular meetings of the Board at ambassadorial level in Sarajevo. On 22 July, the Steering Board met in Brussels, where it discussed political developments, return of refugees and questions of property legislation, the relationship between Croatia and BiH and the issue of border police. The meeting held in Sarajevo on 8 September dealt with refugee return, media issues, Luxembourg follow-up and the preparations for the elections of 12-13 September.

14. A full meeting of the Foreign Ministers of the Peace Implementation Council will be held in Madrid in 15-16 December 1998.

15. External co-ordination: I have maintained my regular consultations with governments and organisations involved in peace implementation. I briefed the Security Council on 27 July and also met with the UN Secretary General. I have had further meetings with the Secretary General of NATO. The Contact Group met on 1 October in London to review the situation in BiH after the elections.

16. In theatre, I have continued to chair regular meetings of Principals of the key implementation agencies - UNMIBH, UN IPTF, OSCE, UNHCR as well as the Commander, SFOR. The Inter-Agency Planning Group, chaired by my Chief of Staff, continues to meet on weekly basis and is helping to tighten up on inter-agency coordination.

17. The Economic Task Force has continued to meet. So too the **Reconstruction and Return Task Force** (RRTF), which has now opened an office in Prijedor. An equivalent structure to the RRTF - the **Return Facilitation Group** - has been established in Croatia, jointly chaired by UNHCR and OSCE. My Deputy with responsibility for return issues attends its meetings.

INSTITUTIONAL MATTERS

18. Common Institutions: *The Presidency*, the *Council of Ministers* and the *Parliamentary Assembly* have continued to meet fairly regularly. But lack of political cooperation and poor administrative structures still hamper their work. My Office continues to work closely with these institutions, plus the *Standing Commission on Military Matters (SCMM),* to improve their efficiency. From October, they are all due to convene at the renovated Marijin Dvor building; the wasteful rotation of plenary sessions between the National Museum in Sarajevo and at the Electro-Technical Faculty in Lukavica will finally stop. The common institutions will, at last, be housed under one roof.

19. The Presidency held few working sessions between July and September, but met frequently with high-ranking international delegations. Working sessions focused primarily on routine issues such as appointment of Ambassadors, agrement of Ambassadors to Bosnia and Herzegovina, and ratification of international agreements. The *Council of Ministers* held several "extraordinary "sessions. The Council adopted draft legislation covering telecommunications and customs. The draft Immigration and Refugee Law was submitted to the Council on 10 July. Although it has not yet been adopted, the Council did, at the urging of the UNHCR and my Office, adopt an *Instruction on the Temporary Admission of Kosovo Refugees* on 24 September .

20. The need for reform of the structure of the Council of Ministers and its Ministries is largely accepted by all Parties. My Office is preparing recommendations to be discussed as soon as the new legislative bodies meet.

21. The *Parliamentary Assembly* met on 2 and 3 July, 22 July, and 1 and 2 September. It adopted the Law on the Seal of the Bosnia and Herzegovina, the Law on Customs Policy and numerous international agreements. It failed however, to adopt the Framework Law on the Privatisation of Banks and Enterprises and the Law on Telecommunications. I therefore decided to impose both laws on an interim basis. On 24 August, the Parliamentary Assembly formed a Secretariat at the former Parliament building, which will draw up plans to provide full parliamentary services.

22. Since my last report, the *Standing Committee on Military Matters (SCMM)* has held its 8th and 9th sessions. Significant progress has been made on a number of issues, such as cross IEBL helicopter flights. The Secretariat of the SCMM is now more or less self sufficient. Recent discussions have focused on possible reforms to enable it to work more efficiently

23. The *Constitutional Court* is preparing its next session, due on 14-15 October, 1998, which will include a public hearing on the conformity of the Constitutions of the Entities with the Constitution of BiH. Since August 1998, monthly payments have been made to the Court as part of its 1998 State budget.

24. Legislative affairs: A draft *Law on Citizenship of the Federation of Bosnia and Herzegovina* has been finalised and is to be adopted. A similar procedure will be used for drafting the equivalent law for the RS.

25. In the *Federation* the Criminal Code and Code on Criminal Procedure have been enacted. They will come into effect in the coming weeks. Training in the provisions of these Codes for judges and lawyers began in early September 1998.

26. In *Republika Srpska*, the drafting of similar Codes is nearly finished. I expect these to be submitted to the Republika Srpska National Assembly by the end of the year.

27. BiH Anthem: Scores of entries have been received for the public competition for a National Anthem of Bosnia and Herzegovina. The deadline for entries to be submitted expired on 15 August 1998. The Independent Commission for Common Symbols, which I formed, is now reviewing the entries and will select three entries which will be submitted to the Parliamentary Assembly. The Parliamentary Assembly will then be asked to choose one of the three to be the national anthem.

28. The Port of Ploce: In September, the Republic of Croatia and Bosnia and Herzegovina initialed an "*Agreement on the free transit through the territory of Croatia to and from the Port of Ploce and through the Territory of Bosnia and Herzegovina at Neum*". My Office and the US played a key role in assisting the parties to reach this agreement. The port of Ploce, which is located entirely on Croatian territory, is the sole access to the sea for BiH. 70% of cargo which passed through the port prior to the disintegration of the former Yugoslavia came from BiH. Access to this port is essential for BiH economic development. The Neum corridor separates two parts of Croatia, and without full and unimpeded access through this corridor the Croatian city of Dubrovnik, one of Croatia's major tourist areas, would be cut off from the rest of the country.

29. The agreement was initialed in Zagreb on 10 September by Hrvoje Sarinic, Chief of Staff to President Tudjman; and Nenad Porgas, Economy Minister of the Government of Croatia. It was initialed for the OHR by my Principal Deputy, Ambassador Klein, and for the US by Special Envoy Ambassador Richard Sklar, both of whom acted as mediators during the negotiations. The agreement was initialed for the Bosnian side on 9 September by President Izetbegovic, Dr Silajdzic (Co-Chair of the Council of Ministers) and Minister Kurtovic, Foreign Trade Minister. Formal signature, and publication of the details of the agreement, are matters for the parties and are expected to take place soon.

30. Special Relations between Croatia and the Federation: The Federation of Bosnia and Herzegovina and the Republic of Croatia are negotiating an "*Agreement on Special Relations (between the Republic of Croatia and the Federation of Bosnia and Herzegovina)*", as stipulated in the Constitution of Bosnia and Herzegovina. My Office has been closely involved in trying to help broker an agreement between the two sides. Sticking points remain, but I am hopeful of progress in the near future.

31. Succession issues for the Former Yugoslavia: Arrangements are being made for a further negotiating session to be held in the second half of October in Brussels. This will be preceded by a tour of Capitals by the Special Negotiator for Succession Issues, Sir Arthur Watts.

32. Brcko: The Deputy High Representative and Supervisor of Brcko continued to promote implementation of the Supplemental Award. Over 1200 Bosniac refugee and displaced families have been returned to their homes of origin in Brcko. The returns process has slowed due to difficulties with displaced persons occupying properties in potential return areas. An additional 1000 Bosniac families have been approved for return but are not yet ready to come back. More than 1000 Bosnian Croat families have been approved for return, but Bosnian Croats have yet to return in significant numbers. Slight progress has been made regarding the return of Bosnian Serb displaced persons to the Federation.

33. Members of the multi-ethnic administration are complying with the provisions of the Brcko Municipal Statute, and Bosnian Serb parties have begun to demonstrate the will to consider compromise on selected issues in dispute. Encouraged by OHR, the Mayor and his Deputies (Bosniac and Croat) are considering a restructuring of the Executive Board to increase the Board's effectiveness. Despite personnel constraints, Brcko's multi-ethnic police have demonstrated operational effectiveness and have cooperated with IPTF initiatives such as community policing. The multi-ethnic judiciary operates normally, and a process of cooperation with the Federation judiciary has begun.

34. The government, multi-ethnic police, and political parties cooperated with my Office and the OSCE in the pre-election period. For the first time since the establishment of Supervision, parties representing diverse (Serb and Bosniac) views held rallies in Brcko town proper. The polling process proceeded smoothly and peacefully.

35. International donor pledges have increased moderately. IC-facilitated credits have been disbursed, primarily to private companies, while a micro-credit facility is issuing loans to individuals. These credits have generated hundreds of jobs, but Brcko's economy, lacking investments, remains basically stagnant and lacks substantial employment opportunities. Brcko remains in critical need of investment and employment opportunities to support the multi-ethnic administration, encourage returnees, and deter the potential for social unrest.

36. Freedom of movement has continued to improve. There has been an increase in vehicular traffic in the Area of Supervision, particularly over the bridge to Croatia. Brcko's railway station was officially opened in August.

37. Federation issues: Federation issues continue to be the focus of attention of my office. Considerable efforts have been exerted to meet the conclusions of the Federation Forum of 16 April 1998

38. During the election campaign, my Office supported sanctions imposed by the OSCE on the HDZ for intimidation of other Croat parties, including by the HVO. Efforts to undermine the achievements in Central Bosnia , including attempt by HDZ hard-liners to break up the joint police force in Central Bosnia, were stymied. Progress was also made in moving the Bosniac intelligence service AID from the police station at Travnik and Bugojno. The Joint Municipal Committee for Prozor/Rama-Bugojno, established on 19 June with the assistance of my Office, has continued to meet and is proving useful.

39. Small-scale but significant returns of Bosniacs to Croat municipalities of Vitez and Prozor-Rama have continued. So too have returns of Bosniacs to the heartland of Herzegovina (Capljina, Stolac), although these have been marred recently by violence. The first breakthroughs of Serb returns to Mostar and the Neretva Valley were achieved over the summer. There was a setback in Rastani, however, in the Mostar West municipality, when a small group of Serbs attempting to return on 26 September were met with resistance by Bosnian Croats, who set up illegal roadblocks overnight.

40. Despite the successes in minority returns in Central Bosnia and Herzegovina, significant breakthroughs are still needed. The prevention of Serb returns to Rastani (near Mostar) in September/October, together with recent violence surrounding the return of Bosniacs to Tasovcici (in which one Bosniac DP was killed and three wounded), underlines the need for firm action by Croat leaders to make clear that violent behaviour and intimidation will not be tolerated. During returns on 1 October, a crowd of Croat displaced persons blocked the road and a road block was erected on the M 17 route into Tasovcici. The Multinational Specialised Unit (MSU) was deployed and in its first active involvement in crowd control cleared the road and restored freedom of movement.

41. It is worth noting that the most successful returns have been achieved in the Jajce, Bugojno and in the rest of the Vrbas valley, and have been characterised by exceptionally close cooperation between my Office, the local SFOR units, and other international agencies involved. The success of these returns may offer useful lessons for planning returns elsewhere.

42. The arrival of my resident Resident Envoy in Drvar has made a considerable difference in improving co-ordination on the ground there. It is a model which I hope will be replicated by the deployment of Special Envoys elsewhere (see section on *Municipalities* below). Returns have continued to Drvar over the summer, and freedom of movement has significantly improved.

43. Dissolution of parallel structures of the former Croat Republic of Herzeg-Bosna and Republic of Bosnia and Herzegovina remains a matter of great importance. Dismantling these parallel institutions, especially separate payments and pension systems, and cutting off Croatia's financial support to parallel institutions of Herzeg-Bosnia are the main short term targets of my office. We will maintain a clear link between economic assistance and co-operation, and we be keeping a close watch on the record of newly-elected officials. Mr. Jelavic, the new Croat member of the Presidency, has promised repeatedly that he will not tolerate HDZ officials who obstruct the implementation of Dayton; we will expect him to honour that pledge.

44. Republika Srpska issues: Regrettably, progress on peace implementation in Republika Srpska slowed between July and September. In the pre-election period, the SLOGA parties in the RS National Assembly and the Government of Prime Minister Dodik were reluctant to propose legislation on politically sensitive subjects, such as Property and Amnesty legislation, or to implement the Privatization Law. Cooperation on multi-ethnic police and the border police has been negligible. Movement on evictions to enable reinstatements, which had briefly improved, was stopped on instruction from the Ministry of the Interior. There was also a significant contravention in the Rules of the Road (the arrest of a Bosnian Croat by the RS police in September). But the Government did make serious efforts to convert its revenue and income from Yugoslav dinars into BiH Convertible marks (KM). The process of issuing passports has begun.

45. In the wake of the elections, my Office will insist on rapid progress in the following key areas: property law, returns, policing, judiciary, media; and privatisation.

46. For an assessment of the results of the elections in the RS, see the section on *Elections* below.

47. Municipalities: Article 74 of the declaration issued by the Luxembourg meeting of the Steering Board in June requested the establishment of a municipal peace implementation evaluation system, and promised staff and funding to implement these recommendations. My Office - working with the OSCE, UNHCR, ECMM and other agencies - will soon complete preliminary surveys of 29 municipalities. We will then review those surveys in order to decide in which municipalities it would be useful to place Special Envoys to promote returns and accelerate peace implementation in general. This initiative will require funding and the assignment of experienced, mature envoys, both of which depend on donors.

DEMOCRACY

48. The recent elections: 12-13 September 1998: These general elections in BiH were the most peaceful and democratic in the country's history. The turnout rate - at around 70% - was high. Technically some of the most complex elections in the world, they passed off relatively smoothly under the supervision of the OSCE. Naturally, as always, we will want to see what further lessons can be learned from experience when preparing for future sets of elections. There were problems with a number of voters' lists, but these affected less than 5% of polling stations. The police conducted themselves with professionalism. Observers from a wide range of political parties were present on both sides of the IEBL. The local election commissions, in general, carried out their tasks with dedication.

49. The results - with one notable exception - showed further evidence of a steady trend towards greater moderation and pluralism in BiH politics. The share of the vote won by extreme nationalist parties fell in both Entities. The monopoly of the three most important ethnically- based parties is weakening. And the voice of an independent, increasingly self-confident opposition in both Entities is growing.

50. For the first time since the signing of the GFAP, the nationalist parties no longer have an absolute majority in the various parliamentary bodies of Bosnia and Herzegovina. Moderate parties, supportive of the Dayton process, now have the possibility of controlling the legislative branches at all levels of government in both Entities, and at the national level. For the first time, the Presidency may have a pro-Dayton consensus. The Council of Ministers and the national ministries will probably be run by parties more committed to Dayton.

51. Time will tell whether these more hopeful prospects deliver results. But for now at least the prospects are in some respects brighter than before the elections.

52. Elections: key points: The following points are worth highlighting:

- In all races, compared to 1996, the nationalist parties have lost ground, in absolute and relative terms.

The SDP, for example, counted their seats in single digits in the 1996 elections. Following these elections, they will be in double figures.

On average in the Federation, the SDP took about 20% of the vote, performing best in Sarajevo Canton.

Newly established parties such as the New Croat Initiative (NHI) managed to offer an alternative choice to the voter. The NHI, for example, will obtain a seat in all three parliamentary bodies at the State and Entity level - in the BiH House of Representatives, in the Federation House of Representatives, and in the RS National Assembly. It has established itself as a viable alternative to the HDZ and will offer competition to the HDZ in future elections.

The new Presidency will consist of Alija Izetbegovic, Ante Jelavic and Zivko Radisic. This line-up offers a better prospect for cooperation, both with each other, and with the international community, than the previous tri-partite body.

The runner-up for the member of the Presidency was the SDP candidate Gradimer Gojer, who proved to be a serious contender in the race. The Presidency results are a further sign the process of building a state is evolving, and that new political leaders are expected to be responsible and responsive to the needs of voters.

In the Federation, RS based parties took part in the elections, unlike in 1996. These parties won seats in the Federation House of Representatives. In 1996, only six parties and coalitions were represented in the Federation House of Representatives; now 18 parties or coalitions of parties will be represented. In 1996, the SDA held 78 seats - an absolute majority. Now they will hold only 68 seats. Although they remain the largest party, they have lost their overall majority.

In the RS National Assembly, the SLOGA coalition, together with the different Federation parties, holds the majority of the seats. The SDS, which held an absolute majority of 45 seats in 1996, no longer does so. More parties are represented in the RSNA than in 1996 or 1997. The Party of Independent Social Democrats, for example, has tripled its number of seats. The decline in the nationalist parties' share of the seats which began in the 1997 elections continued this time. For the first time both the NHI and the HDZ will have representatives in the RS National Assembly.

These positive trends at the State and Entity levels were mirrored at the cantonal level. In all races, the SDA-led coalition and the HDZ lost ground. In Una Sana Canton, and in Canton 10, RS based parties will be represented in the Cantonal Assemblies. This - together with the fact that Croat based parties will be represented in the RSNA - sends a strong signal that returns are not out of the question.

53. The exception to this generally encouraging trend was the election of a candidate with a hard-line record to the post of President of the Republika Srpska. We have made clear that we will judge Mr Poplasen by his actions in the coming months.

54. Electoral law reform: Following the elections, I have now turned my attention to the drafting of an election law. My Office, in co-operation with the OSCE and the Council of Europe, is working on a draft election law which will regulate the conduct of the Presidency elections and the

elections for the Parliamentary Assembly of BiH and establish the parameters for the Entity elections. On 1 August, in co-operation with the OSCE, I appointed a commission of seven independent national experts to review the draft. I plan to have initial proposals ready for consultation with the Steering Board in November.

55. **Media reform:** Over this reporting period the objectives of my media strategy have been largely achieved. Implementation of the strategy has helped to loosen the political grip on public broadcasting, promote independent media, lay the ground for a legal framework for the media and to focus attention on pressing issues holding back the peace process. As a result, voters had access to a wider range of viewpoints than in previous elections and the media environment was significantly more benign.

56. ***SRT/RTV BIH:*** Following our ongoing intervention with SRT in Republika Srpska, our attention this summer focused on the reform of Radio Television Bosnia and Herzegovina (RTV BiH) in the Federation. Subsequent to the Memorandum of Understanding on the restructuring of RTV BiH, endorsed in June by members of the Presidency, I appointed on 8 July an international adviser at RTV BiH to assist with the restructuring of the television network, in particular to improve its current affairs programming. An interim Board of Governors, which includes the adviser, was ratified by me following nominations made by the Presidency. The multi-ethnic Board appointed a new General Manager in August and has begun preparing a proposal for a Federation TV which seeks to enfranchise the Croat community. The Board is also drafting a proposal for a public broadcasting corporation covering the whole of BiH. The Board has reported to me that the financial condition of the network is extremely difficult following the withdrawal of non-transparent financial support.

57. ***Independent Media Commission:*** Subsequent to its formal establishment in early June of this year, the Independent Media Commission (IMC) is now fully functioning. On 1 August the IMC Broadcasting Code of Practice for radio and television in BiH came into force. All broadcasters are now required to adhere to this code which is drawn from other European models and is in accordance with the BiH constitution. An appellate body, the IMC Council, which is composed of national and international members, convened for the first time in September.

58. The IMC's first decision addressed the role and activities of Croatian state television, Hrvatska Televizija (HRT), re-broadcasting in BiH. The history of this problem pre-dates the Peace Agreement when the Bosnian Croat HDZ leadership extended the reach of the Zagreb-based HRT network in the territory of BiH by using sites seized by Croat military forces. HRT became the focus of international concern prior to the recent elections due to its clear favouritism towards the BiH HDZ. Despite a series of international protests delivered to the Croatian government and HRT, the network failed to offer equitable access to other political parties and candidates as required by electoral regulations. Finally, the OSCE's Election Appeals Sub-commission ruled that HRT violated the electoral media rules and removed BiH-HDZ candidates from the party list.

59. The IMC ruled on 15 September that the legal status of Erotel, which rebroadcasts HRT in BiH, was uncertain and concluded that the use of frequencies by Erotel required IMC regulation. The IMC assumed sole custody of transmission sites and facilities and frequencies associated with these sites until such time as RTV BiH and Erotel reach an agreement acceptable to the IMC, or until another order by IMC on the issue is delivered. The IMC also warned Erotel that it had violated the IMC Broadcasting Code of Practice on several occasions and required Erotel to conform in the future fully with the Code. Constructive and unprecedented discussions between

RTV BiH and Erotel have begun under IMC auspices.

60. OBN: The Open Broadcast Network (OBN) and the Free Election Radio Network (FERN) remain the only genuine cross-entity television and radio networks which do not attempt to promote or cater to one particular ethnic community. The formation of the OBN International Trust, expansion of the network through new affiliates, acquisition of strong programming and recruitment of a more professional news and current affairs team has had a dramatic effect on audience penetration and the reputation of the OBN over the last few months. Election coverage by OBN and Radio FERN was wide ranging, offering more time than other networks for all political parties and candidates.

61. Public Service Information Campaign: Our Public Service Information Campaign (PSIC), launched to help ensure that issues rather than dogma were explored fully during the election campaign, was aired on all major networks as well as numerous smaller local stations. Two separate independent polls conducted to gauge viewer responses throughout BiH showed positive responses to the campaign. Overall, over half of those questioned believed that the reports conveyed "important information". I believe such a campaign to be a vital part of a long-term strategy for reconciliation. We are therefore seeking funding for next year's budget line to include production of more public service reports.

RETURNS

62. The right to return: return of refugees and displaced persons: Returns have been slower than hoped for so far in 1998. The UNHCR had set a target figure of 50,000 minority returns for the first six months of the year. The actual figure is closer to 15,000, but there have been some encouraging movements during the summer.

63. As outlined in the RRTF Action Plan, the primary obstacles to return remain a lack of political will on the part of the authorities, the absence of a sense of personal security for minority returnees, housing shortages, a general lack of employment opportunities, and legal and administrative problems.

64. Croatia's adoption of a new return programme on 26 June 1998 marked a further step towards the realisation of regional return. While failing to address all the issues raised at the Banja Luka Conference, the Croatian return programme is promising and may yield significant returns if implemented in good faith. Implementation structures have been established in Croatia and some results are already visible. The RRTF continues to maintain close ties with key actors in Croatia with a view to assisting in the implementation of the Return Programme and promoting cross-border return.

65. Implementation of the Sarajevo Declaration is still inadequate, although there have been some improvements. The authorities still refuse to address systematic problems in the housing allocation system, adopting a burdensome and opaque approach instead of dealing with individual cases one by one. I will review the situation at the end of this quarter and reconsider further conditionality for international assistance.

66. Cross Inter-Entity Boundary Line (IEBL) returns continue at an encouraging pace. Bosnian Serbs are returning to places like Bosanski Petrovac, Glamoc, Sarajevo, and Central Bosnia Bosniac and Croat returns are taking place into the north-western part of the Republika Srpka in

the hundreds - to places like Prijedor, Bosanska Gradiska, and Kotor Varos. This momentum is expected to continue for the next 1-2 months, as housing reconstruction programmes are completed and more accommodation becomes available. The European Commission's 1998 programme in support of return is a key factor in generating new housing space and supporting infrastructure.

67. Our priority now is to remove the obstacles preventing significant minority return to eastern Republika Srpska. I intend that the necessary property legislation be put in place quickly and that pressure be brought to bear on the new RS government. Judiciary reform, police restructuring, job creation, equal access to documentation, and return of elected councillors are required as well to achieve significant minority return.

HUMAN RIGHTS

68. Human rights violations: The number of incidents of destruction of property and violence directed at minority residents and returnees has continued to increase during this reporting period, particularly in Stolac, Klanac and Travnik. In July, a second police officer was murdered in Travnik by an explosive device which resulted in a temporary withdrawal of Bosnian Croat police officers from Travnik station. My Office is also extremely concerned by continued allegations of abuse in police custody in both Entities, including physical abuse to force confessions, abuse during arrest, harassment and ill-treatment during detention. A particularly disturbing incident has resulted in the decertification of the Republika Srpska Chief of Uniformed Police in connection with seven individuals allegedly held in hidden detention and physically mistreated for nine days in Pale.

69. My Office is also extremely concerned by the continued failure of the authorities to ensure that the decisions and recommendations of Human Rights Chamber, the Human Rights Ombudsperson and the Commission for Real Property Claims (CRPC) are implemented. The Republika Srpska authorities have still failed to appoint an agent to the Annex 6 Institutions. While three individuals have been designated at the state level to act as agents, their appointment must be ratified by the Council of Ministers as an urgent priority.

70. Funding of human rights institutions: Securing adequate and stable funding for the Annex 6 and 7 Institutions is essential if these institutions are to deal effectively with growing caseloads. The stable and reliable funding from voluntary contributions have enabled important institutional developments and should be continued next year. My Office is also working with the Bosnia and Herzegovina government to ensure that it respects its funding commitments for the Institutions' 1998 budgets.

71. Property law: In light of the deliberate obstruction of implementation of the property and housing laws in the Federation, I have imposed an extension of the deadline for filing claims for a further six months. My Office will continue monitoring the claims process and, where necessary, intervene further to ensure that the property rights of refugees and displaced persons are protected. The deadline of 31 August set at Luxembourg for the Republika Srpska to adopt property consistent with the Peace Agreement was not met by the government. Following the elections, it is my highest priority to ensure that the necessary property law is put in place in the Republika Srpska.

72. Education: With the assistance of UNESCO, the Council of Europe, and the World Bank, my

Office is continuing its work on the implementation of the Textbook Review Project agreed between the Ministers of Education in May on the removal of offensive materials from textbooks in use in primary and secondary schools. The Ministers have agreed to implement the recommendations made by the expert teams for the removal of offensive materials as well as the recommendations of an Independent Commission, to be established by my Office, in cases where the expert teams are unable to reach an agreement.

73. Civil society building: My Office continues its efforts to support initiatives underway to reform the legal framework applicable to associations and foundations, and to support the establishment of an environment conducive to the development of civil society. The working version of a new draft Law on Associations and Foundations distributed in June for public discussion has been revised, based upon input received from many local non-governmental organisations in Bosnia and Herzegovina. This version will be reviewed together with the Ministries of Justice to produce a final draft acceptable and supported by both the NGO community and relevant state structures.

74. Missing Persons and Exhumations. The Joint Exhumation Process continues. The three parties continue to work well together. So far this year, over 1000 bodies have been exhumed, almost twice as many as in the previous two years combined. Resources remain a problem, however.

RULE OF LAW

75. Judicial and Legal Reform. My Office is proceeding in its work with UNMIBH, the Council of Europe and OSCE in the area of reform of the criminal justice system. Developments in this area have been encouraging, particularly with the adoption of the Criminal Code and Criminal Procedure Code by the Federation Parliament in late July. These codes, essential for effective protection of the rights and freedoms set forth in the European Convention on Human Rights, are expected to enter into force shortly. The Expert Team to reform the Criminal Law of the Republika Srpska, has submitted its drafts of the codes to the Government, and international experts have assessed the drafts as to their compliance with the Convention and other international standards. The final plenary session of Republika Srpska and international experts is expected to take place in November.

76. I remain concerned with the lack of independence and impartiality of the judiciary in both Entities. Adoption of legislation to provide for review of judicial appointments by an independent commission, and establishment of basic standards for an independent judiciary, is essential to ensuring that the appointment process is transparent and not subject to political influence. These laws must be ready for consideration by the Federation and Republika Srpska Parliaments in the early post-election period.

77. The UN Security Council endorsement of the establishment of a judicial monitoring and assessment project within UNMIBH is strongly welcomed by my Office. The information obtained through systematic court monitoring will play an essential role in informing other reform efforts which my Office coordinates, including the development of legislation regarding judges and prosecutors, and training of legal professionals.

78. Cooperation with ICTY and Rules of the Road: In June, SFOR troops detained a Bosnian

Serb under sealed indictment in Foca. Following the arrest, however, both the UN IPTF and OSCE Field Offices were destroyed by crowds protesting the action. Two Bosnian Serbs arrested by SFOR troops in July were released by the Tribunal immediately upon receiving confirmation that the arrests were made as a result of mistaken identity. Another Bosnian Serb was detained by SFOR troops in late September.

79. A serious violation of the Rules of the Road by Republika Srpska authorities occurred during the reporting period with the arrest of a Bosnian Croat before the individual's file was sent to the ICTY Office of the Prosecutor for review. Despite repeated interventions by my Office, as well as the subsequent decision of the ICTY Deputy Prosecutor that the evidence submitted by the Republika Srpska authorities in this case was insufficient, the individual remained in detention for one month in Foca prison. Republika Srpska authorities released the individual only following a decision by the Election Appeals Sub-Commission that he must be released as the arrest was in violation of the Rules and Regulations of the Provisional Election Commission.

80. **Freedom of Movement:** The implementation of the Uniform Licence Plate System and the Common Vehicle Registration Document is 99 % complete. From 30 September, all vehicles have been obliged by law to carry the new plates to travel within BiH. The introduction of the uniform plates has led to a dramatic increase in freedom of movement. Cross IEBL traffic doubled between April and July alone.

81. **Police restructuring:** The Federation Ministry of Interior was finally inaugurated during the reporting period, although deployment of minority officers remains to be finalised. Due to the pre-election climate, further progress was stalled. UNMIBH and my Office intend to reinforce our joint efforts to achieve minority police restructuring and deployment. The next three months must see serious efforts by the authorities in both Entities to comply with the deadlines set in the Luxembourg PIC Document on policing matters.

82. The draft State Border Police Law remains under discussion by an inter-agency working group including UNMIBH, SFOR, CAFAO and my Office. They are working together on a comprehensive plan for the establishment of a State Border Police, before submitting the Law to the Council of Ministers. This be will one of my main priorities in the coming months.

83. **Combating corruption:** The Anti-Fraud Unit of my Office continues to assist authorities in identifying illegal activities and in co-ordinating international efforts in the areas of government transparency, corruption and organised economic crime. The work of the Anti-Fraud Unit is based on two pillars: the development and implementation of a global and long-term strategy against corruption and assistance in the investigation and prosecution of current cases of corruption. These two pillars are complementary. While a global strategy is necessary to prepare the country for a better future, immediate action against corruption must be undertaken to show the Bosnian population, in particular the young generation, that generalized corruption is a left- over of the communist society which must be eradicated. Establishing a comprehensive anti-corruption strategy necessarily involves most aspects of economic reform as well as legal/judicial reform, institutional reform and education/public awareness.

84. In the field of customs, EC CAFAO continues its work to improve the efficiency of the administrations in both Entities, and to encourage them to work jointly against smuggling.

ECONOMIC REFORM AND RECONSTRUCTION

85. Reform of Public Utilities and Implementation of Annex 9: Regular passenger rail service was extended from Sarajevo through Mostar to Capljina. The border crossing agreement for rail traffic between Croatia and BiH was adopted by the BiH Council of Ministers and has been sent to Croatia for review and consideration. The agreement would allow the resumption of commercial rail traffic between Croatia and BiH. The Joint Railway Corporation has progressed slowly; some legal problems still have to be resolved. My Office and the chairman of the Commission on Public Corporations (CPC) are actively pursuing this matter, but they can not substitute for the various competent authorities. Regulations for inter-entity rail traffic are still to be issued by the Ministry of Civil Affairs and Communications.

86. The CPC met on 6 July 1998, in the presence of the ministers of energy of both the Federation and the RS, to discuss the possible creation of a Public Corporation for electric power transmission. The ultimate goal is to be ready for an efficient and safe power transmission when the grid in BiH is again fully operational and ready to synchronise with and other systems.

87. The instruction on the regulation of inter-Entity bus traffic was signed by the Ministry of Civil Affairs and Communications and has been published in the BiH Official Gazette. The instruction on international bus traffic has been prepared and is due to be published soon. These instructions provide guidelines for bus companies and Entity transport/traffic ministries in preparing, submitting and reviewing applications for inter-Entity and international bus routes.

88. On 11 September, I decided to put the State Telecommunications Law temporarily in force, until the BiH Parliamentary Assembly will adopt it in the same form. The Law was adopted by the Council of Ministers, but the Parliamentary Assembly adjourned its consideration of the Law until after the elections while the Law was urgently needed. Part of the decision was also to recognise the existence of the 3 operators at present providing services through the fixed public switched network. The Law establishes the Telecommunications Regulatory Agency. The EBRD will continue to provide assistance in this area.

89. Macro economic reform and transition: In the period under review, the Economic Task Force (ETF), continued to meet regularly under my chairmanship. It is still an essential tool for co-ordinating economic reform policies and international reconstruction assistance. The ETF Secretariat, operated by my Office in co-operation with IMG, informs and guides the general donor community through monthly publication of an economic newsletter and donor meetings.

90. On 28 July, the Central Bank of BiH (CBBH) put the 20, 50, and 100 Konvertibile Marka (KM) notes in circulation. The lower denominations were already introduced on 22 June. The currency is pegged to the DM in a rate of 1:1. The old Bosnian Dinar is no longer a legal currency. I passed a decision on 28 September 1998 to impose the design for the coins. Overall, the introduction can be considered as a success, but in some areas the use of the currency remains limited. My Office continues to monitor the acceptance of the KM as the legal tender of BiH and supports the CBBH in promoting the country-wide use of the currency.

91. Considerable progress is made on the implementation of the 1998 State budget. Both Entities have transferred funds to the bank account of the Common Institutions in the CBBH. Beneficiaries of the budgets of the Common Institutions have received their first payments through the official payment channels. My Office, together with the technical assistance of the US Treasury and other

organisations, will continue to make sure that the State budget is implemented according to the Law.

92. The process of liquidating the NBBH, the former Central Bank, is ongoing. To initiate the liquidation process, the liquidator ordered a freeze of NBBH assets on 16 July, but the Federation Government ordered that the freeze be ignored, which it has been to date. Some success has been achieved in certain areas of the liquidation process, including clarification of ownership of the NBBH building and paying off the claims of several thousand non-governmental depositors at face value. Much work remains to be accomplished, in particular determining how the gap between NBBH liabilities and assets will be covered.

93. Negotiations between the BiH delegation and the Paris Club of sovereign creditors, held on 23 and 24 July have not led to an agreement. An agreement with the creditors is essential for future access to international capital markets for BiH. A next round of negotiations should start in October 1998. The IMF will not be able to complete the first review under the stand-by arrangement without liquidation of the NBBH and achieving a successful debt-reduction negotiation with the Paris Club.

94. On 3 September, the Federation House of Peoples approved the Federation External Debt Law. Passage of this key law is an important step in building confidence among foreign creditors to extend loans to BiH. The law ensures that the Federation's share of repaying debts incurred by the State of BiH to foreign creditors is an unconditional liability and will be satisfied from general Federation budgetary revenues. To complete the legal framework for repayment of external debt obligations of BiH, it is now necessary for the RS to pass a law similar to the one in the Federation.

95. At its sessions of 1 and 2 September, the BiH Parliamentary Assembly adopted the Law on Customs Policy of BiH. The Law will come into force only on 1 January 1999. The Law is based on the European Customs Code. With the adoption of this Law and the Customs Tariff Law that has been in force since March of this year, the new customs legal framework is finalised. Full implementation of both Laws is a prerequisite for a unified BiH customs territory. CAFAO, funded by the EC, continues to assist the customs administrations in improving its efficiency and implementing the new legislation.

96. On 11 August, the Ministers of Trade and Finance of the RS and the Federation signed an agreement in which they committed themselves to remove obstacles to internal trade. This is another step forward in attaining freedom of movement of persons, goods, services, and capital in BiH. Even though implementation of the agreement has proven difficult, the Ministries of both Entities have recognised that from a legal point of view they cannot ignore the presence of the other Entity and that they will both benefit economically from mutual co-operation.

97. On its session of 20 August, the Council of Ministers established the BiH Agency for Statistics (BHAS), responsible for producing national statistics on economic and social indicators. The statistics will be based on data submitted by Entity statistical institutes. Establishment of the BHAS and improvement of Entities' institutes will be facilitated by the release of considerable financial assistance up to around KM 10 million from the EC, Italy, Switzerland, and Sweden.

98. The OHR-drafted Framework Law on Privatisation of Enterprises and Banks, already adopted by the Council of Ministers, did pass the BiH House of Representatives in July but was

subsequently rejected by the House of Peoples due to Serb opposition. On 23 July 1998 the Law entered into force upon my decision, on an interim basis, until the House of Peoples adopts this law in due form, without amendments and no conditions attached. In order to help the process of privatisation proceed smoothly, I have established the Privatisation Monitoring Commission, which will be operational from November 1998.

99. Reconstruction and financial help: In the last three months, up to 1 September, a considerable amount of donor funded projects have been carried out. In this period, reconstruction projects worth a total of approximately KM 150 million were completed. One should note that this does not mean that all this money was spent in this period, but that projects were finalised. Moreover, a total of half a billion KM of new reconstruction projects started, some of them being completed within the described period, most of them to be completed in the future. Of these new projects, around 30% was started in the RS, with close to 10% that benefits both Entities. This is a clear indication of increased donor effort after the government turn around in January this year.

100. On 7 July, Mostar Airport was officially opened for civilian traffic. After Sarajevo and Banja Luka, Mostar is the third airport in BiH to open for regular international air services. The opening was made possible after the Spanish Government and the EU made necessary funds available. In 1998 and 1999, the International Community will finance projects that will result in a complete re-equipment of the airport.

101. Civil Aviation: On 2 March 1998 DCA BiH signed a bilateral agreement with EUROCONTROL relating to air navigation charges. EUROCONTROL has informed Zagreb (ATSA) and Belgrade (FATCA), who had been providing temporary air traffic control in the airspace of BiH since 24 April 1997, and has been charging users of BiH airspace with effect from 6 April 1998.

102. FATCA continues to collect air navigation charges from users of the portion of BiH airspace wherein it provides air traffic control. In consequence the respective users are charged once by EUROCONTROL and once by Belgrade. This problem will be resolved when DCA signs the protocol with FATCA.

103. An Aviation Law was prepared and submitted to the Council of Ministers on 6 August 1998, which would, inter alia, give DCA the power to delegate duties and functions to the Entity Civil Aviation Departments.

104. On 11 September 1998 COMSFOR signed a letter delegating the authority and responsibility for air traffic control of BiH upper air space to DCA . DCA will need to review the letter and advise the Council of Ministers to sign it. At the moment BiH will need to contract the air traffic control services from third parties.

105. Mostar Airport , since being placed under the authority of OHR by an Arbitration Decision, was reopened for civilian traffic on 7 July 1998. The first scheduled commercial flight, operated by Croatian Airlines, took off from Mostar to Zagreb on 14 July 1998. The arbitration period has been further extended until March 1999. The new MOU for Sarajevo Airport, signed on 20 August 1998, introduced cargo operations and overnight parking for aircraft and further facilitates civil air operations in Sarajevo. Jugoslav Airlines (JAT) and Montenegro Airlines operate schedules into Banja Luka Airport. SATAIR, the first Airline of Republica Srpska, wishes to commence operations from Banja Luka once an amendment to the existing MOU, to allow for

overnight parking, is approved.

106. Demining The mine action programme has now been handed over to the authorities of Bosnia and Herzegovina, with the formal reception of the BHMAC by the Council of Ministers from the UN on 16 July 1998. The MOU between the Parties and SFOR on Humanitarian Demining by the Entity Armed Forces (EAF) was signed on 6 July 1998. The EAF now have 360 qualified deminers who have been trained at the centres in Banja Luka, Mostar and Travnik, providing a total of 45 Demining Teams.

107. The delayed EU demining programme has received unfavourable media attention in recent months, both locally and across Europe. The equipment left in storage became the focus for the media coverage, while there were no explanations for the delay forthcoming from EU officials. In August the programme was reinvigorated with the signing of a contract with the German NGO 'HELP', and is now in its planning phase. It is unlikely that any mines will be removed from the ground before the start of the next 'season' in Spring 1999.

108. The Slovenian Trust Fund is an initiative of Congress, whereby funds have been pledged on the basis that the US will match any other donation up to a maximum of $28m. An MOU has been produced by Slovenia for the Council of Ministers to consider, after which an Action Plan will need to be approved by the Demining Commission.

109. The Ottawa Treaty on the prohibition of anti-personnel (AP) mines, to which BiH is a signatory, will come into effect on 1 March 99. The EAF still hold their stockpiles of AP mines in SFOR monitored sites, and have yet to formulate the plans for their destruction. SFOR's intent is that this programme be incorporated into the EAF's winter demining campaign.